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No. 87-1228

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1987

PENNWALT CORPORATION
Petitioner,
vs.
DURAND-WAYLAND, INC.,
Respondent,
Cross-Petitioner.

CROSS-PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED FOR REVIEW

This is a Cross-Petition of Durand-Wayland to be considered only if the Petition of Pennwalt Corporation is granted. This patent case deals with the issues of validity and infringement decided by the Court of Appeals for the Federal Circuit, sitting in banc. The majority was unable to determine that the District Court's finding of non-infringement literally or under the doctrine of equivalents was not clearly erroneous and properly affirmed the judgment of non-infringement. However, having found in favor of the Cross-Petitioner (Respondent) on the issue of infringement, the Court summarily dismissed Durand-Wayland's Cross-Appeal asserting that Durand-Wayland had not shown that the district court's refusal to find the case exceptional and to award attorney's fees was based on clearly erroneous findings (A-15,16). The Court then vacated that part of the judgment concerning the issue of validity raised in the Cross-Appeal as moot because there was no indication that validity extended beyond the litigated claims of the devices found to be non-infringing.

The questions presented for review are:

(1) Can an issue of validity be dismissed as moot in light of Supreme Court precedence holding that public policy is against the preservation of an invalid patent which may inhibit the use of the invention, otherwise belonging in the public domain?

(2) Is it error for the Court of Appeals to dismiss a Cross-Appeal by holding the issue of validity of a patent to be moot, thereby depriving the party asserting invalidity of the possibility of recovering its attorney's fees, in the event that the patent were held invalid because of inequitable conduct in the prosecution of the patent or because the invention of the patent-in-suit was "on sale"

for more than one year prior to the filing of the application for the patent-in-suit?

(3) Is it error to dismiss a Cross-Appeal as moot, rendering no decision on the issues raised?

STATEMENT OF INTEREST UNDER RULE 28.1

Cross-petitioner, respondent, Durand-Wayland, Inc., has no parent companies, subsidiaries or affiliates.

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CITATION OF OPINIONS BELOW

The opinion of the Court of Appeals for the Federal Circuit is reported at 833 F.2d 931, 4 U.S.P.Q. 2d 1737, and is reprinted in the Appendix hereto at page A-1.

The opinion of the District Court is reported at 225 U.S.P.Q. 558 and is reprinted in the Appendix at page A-90.

The unpublished Supplemental Orders of the District Court are reprinted in the Appendix at page A-126.

The judgment of the District Court is reprinted in the Appendix at page A-177.

JURISDICTIONAL STATEMENT

The judgment of the Court of Appeals for the Federal Circuit was entered on November 6, 1987 and the mandate issued November 27, 1987. This Court has jurisdiction under 28 U.S.C. § 1254 (1). This is a Cross-Petition filed under Supreme Court Rule 19.5. The Petition for Certiorari in connection with this Cross-Petition was received by the Cross-Petitioner on January 25, 1988.

CONSTITUTIONAL PROVISION AND STATUTES INVOLVED

Constitution of the United States, Article I, Section 8, Clause 8:

The Congress shall have Power . . . to promote the Progress of Science and useful Arts, by securing for limited times to Authors and Inventors the exclusive Right to their respective Writing and Discoveries. . . .

35 U.S.C. § 102(b):

A person shall be entitled to a patent unless —

(b) The invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

35 U.S.C. § 282:

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent of multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establish-

ing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

The following shall be defenses in any action involving validity or infringement of a patent shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title.

(4) Any other fact or act made a defense by this title.

In actions involving the validity or infringement of a patent the party asserting invalidity or non infringement shall give notice in the pleading or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon anticipation of the patent-in-suit or, except in actions in the United States Claims Court, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires.

35 U.S.C. § 285:

The Court in exceptional cases may award reasonable attorney fees to the prevailing party.

37 C.F.R. § 1.56(a):

A duty of candor and good faith toward the Patent and Trademark Office rests on the inventor, on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application. All such individuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application. Such information is material when there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation of prosecution of the application.

STATEMENT OF THE CASE

The Petitioner, Pennwalt Corporation (Pennwalt), initiated this suit alleging patent infringement against the Respondent/Cross-Petitioner, Durand-Wayland, Inc., in the United States District Court for the Northern District of Georgia, charging infringement of U.S. Patent 4,106,628 (hereinafter the '628 patent or the patent-in-suit). (A-183) Durand-Wayland counterclaimed in part for a declaratory judgment that the '628 patent was invalid. The counterclaim asserted that the patent-in-suit, *inter alia*, was invalid because the invention thereof was "on sale" more than one year prior to the application date for the '628 patent, and the '628 patent was unenforceable for failure of the inventors and their attorney to meet their duty of candor to the United States Patent and Trademark Office. Durand-Wayland also contended that

the "on sale" bar and failure to reveal prior art (the Sunkist Machine (A-181, 182)) was inequitable conduct by the Petitioner, Pennwalt, entitling Durand-Wayland to an award of attorney's fees.

The district court found that the '628 patent was valid, but not infringed. The judgment of non-infringement followed after a finding that the claims were not literally infringed or infringed under the doctrine of equivalents. The district court, however, failed to award attorney's fees to the prevailing party. (*See* Final Judgment of the District Court (A-177)).

Pennwalt appealed the district court's decision on the infringement issue to the U.S. Court of Appeals for the Federal Circuit. (Opinion at A-1) Durand-Wayland cross-appealed the validity decision asserting that the district court erred by failing to hold the Pennwalt Patent invalid and by failing to hold, *inter alia*, that the patent-in-suit was invalid because it was "on sale" by Tilt Belt, the predecessor[1] of Pennwalt more than one year prior to the filing of the patent application and thus ineligible for a patent grant under 35 U.S.C. § 102(b) and by failing to hold that Pennwalt's failure to reveal the "on sale" status of the invention and a secret Sunkist Machine known as prior art by the predecessor of Pennwalt, was inequitable conduct before the Patent and Trademark Office. Since both the "on sale" bar and failure to reveal pertinent known prior art give rise to a possible award of attorney's fees under 35 U.S.C. § 285, the failure to rule on these issues has unjustly deprived Durand-Wayland of an opportunity for an award of attorney's fees.

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[1] Contemporaneous document proof of the machine being "on sale" is shown by the Alexander & Baldwin purchase order (A-196) and the Williamson internal record (A-198).

The United States Court of Appeals for the Federal Circuit ultimately affirmed the decision of the lower court regarding the issue of infringement both literally and under the doctrine of equivalents. The court of appeals, however, dismissed Durand-Wayland's Cross-Appeal as "moot", and surprisingly, vacated the district court's decision as to validity, thereby implying that the holding of the trial court as to validity was flawed, but did not state why. (A-16) It is from the dismissal of the Cross-Appeal as moot that Durand-Wayland seeks the review of this Court.

In holding the issue of validity moot, the Federal Circuit failed to rule on any of Durand-Wayland's numerous defenses and failed to reverse, as a matter of law an "on sale" decision of the trial court and also failed to conclude that because of the known "on sale" bar and because of the failure to reveal the Sunkist Machine (a machine on which inventor Mills worked on) to the Patent and Trademark Office, Pennwalt's predecessor was guilty of inequitable conduct. The patent-in-suit which should be invalid remains valid, thereby depriving the public of its rights with respect to the patent grant and Durand-Wayland of possible recovery of its attorney's fees. It appears that the court of appeals simply excused itself from the burden of hearing and deciding the Cross-Appeal.

BASIS FOR JURISDICTION IN THE DISTRICT COURT

The District Court's jurisdiction in this action is based on 28 U.S.C. § 1331, 1332(a)(1) and 1338. The jurisdiction of the Court of Appeals for the Federal Circuit is based on 28 U.S.C. § 1292(c) and § 1295(a).

ARGUMENT

The Court of Appeals for the Federal Circuit under 28 U.S.C. § 1295(a)(1) has exclusive jurisdiction over patent cases on appeal from district courts. With the exception of the U.S. Supreme Court, the Federal Circuit, has unchecked authority in forming patent case law. In the present case, the decision of the Federal Circuit determining that the issue of validity is moot once the issue of non-infringement was decided, fails to protect the public from the existence of this invalid patent. Furthermore, the failure to rule on the Cross-Appeal deprived Durand-Wayland of properly awarded attorney's fees in this case.

I.

PUBLIC POLICY SET BY SUPREME COURT PRECEDENT REQUIRES THAT INVALID PATENTS BE ERADICATED WHENEVER A COURT IS GIVEN AN OPPORTUNITY TO SO ACT.

It is submitted that holding the issue of validity as moot has violated a strong public policy set forth by Supreme Court precedent favoring the eradication of invalid patents.

Lear v. Adkins, 395 U.S. 653 (1969) espouses the public nature of a patent and the value to the public in eradicating those patents that are not valid. However, prior to that Supreme Court decision, there has been support of the policy enunciated in *Lear* to protect the public from invalid patents.

One can, in examining the public policy of the eradication of invalid patents, begin with the primary purpose of the patent system as stated by the language of the Constitution of the United States "to promote the pro-

gress of science and use arts." U.S. Const. Art. I, § 8, cl. 8.

> "It is not the principal purpose of patent laws of one country or of any nation to reward an individual. The purpose is much deeper and the effect much wider than individual gain. It is the promotion of science and the advancement of the arts looking to the general welfare of the nation that patent laws hope to accomplish. The individual reward is only the lure to bring about this much broader objective. Every patent granted benefits society by adding to the sum total of human knowledge, but that is not enough, and that alone will not achieve the ultimate goal of the patent system". *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 331 n.1 (1945) (*citing* the testimony of Commissioner Coe before the TNEC Hearings Part 3, p.857).

Thus, the patent system's inducement is directed to disclosure of advances in knowledge which will be beneficial to society. It is not a certificate of merit, but an incentive to disclose. It is not concerned with the quality of the inventor's mind but the quality of his product. *Sinclair*, 325 U.S. at 331.

It is with this premise in mind that patent protection should be viewed. However, if a patent exists on the record that, in reality, is invalid, it violates this policy of the promotion of the arts and sciences and hoards an idea rightfully within the public domain, disguising it as a grant of exclusive rights protected by the patent laws. Prior to the *Lear* decision, there were many recognitions of the public nature of a patent, inferring that the issue of validity is not moot regardless of the outcome of an infringement determination.

The concurring opinion in *Aero Spark Plug Co. v. B & G Corporation*, 130 F.2d 290 (2nd Cir. 1942) favors a finding as to validity in every case, regardless of the decision on infringement. There, the district court had dismissed an infringement action on the ground of noninfringement and invalidity of the claim in issue. The Court of Appeals affirmed the noninfringement but failed to decide the question of patent validity because of the resolution of noninfringement. Judge Frank concurred with the result of the appellate decision, but felt that the patent should also have been held invalid. Judge Frank felt that it was the duty of the Court, when the issue was raised, and a patent was invalid, to affirmatively decide the issue, stating:

> "There is more at stake [in a patent case] than the issue between two parties. The decision of my colleagues relieves the appellees but leaves the appellant free to sue others as alleged infringers putting them to the expense — notoriously great in patent suits of defending themselves. It is well known too that threats of such suits because of that expense, often entice alleged infringers to accept licenses on erroneous terms rather than to engage in litigation. As the exercise of a patent monopoly is publicly injurious when an invalid patent remains at large, the public interest is therefore deeply involved." *Id.* at 292.

Judge Frank then noted:

> "A patent is a public franchise, a legalized monopoly. To allow a patent to remain apparently valid when the issue of invalidity is raised and the Court sees that the patent is invalid is to ignore the paramount public interest." *Id.* at 293.

Altvater v. Freeman, 319 U.S. 359 (1943) determined, in a patent suit, where there was a counterclaim for declaratory judgment regarding validity, that a dismissal on the ground of non-infringement does not render moot the issue of validity where the counterclaim goes beyond the single claim and accused devices in issue.

The decision in that case turned on the defendant's remaining obligation to pay royalties under a licensing agreement as a basis for justiciability. Justice Frankfurter's dissent was that a declaratory judgment on that ground was improper due to the minimal need for relief by the defendant. However, in so dissenting he noted:

> "It may very well be that one who infringes a patent should be entitled to obtain a declaration as to its validity even though he is under no contractual obligation to pay royalties as a licensee. The existence of an invalid patent may substantially impair the economic position of those who market articles which infringe such a patent, even though no infringement suits may be immediately threatened. Potential purchasers may naturally be reluctant to establish business relations upon so insecure a basis. But the Court has not chosen to sustain the propriety of a declaratory judgment here on this ground and it is therefore idle to consider the merits." *Id.* at 371.

Thus, the suggestion remains that the far reaching effects of maintaining an invalid patent to be protected by patent laws is a "real and substantial" and "definite and concrete" controversy to a potential or alleged infringer of a patent and such controversy can merit a determination by declaratory judgment. *See Aetna Life Insurance Co. v. Haworth*, 300 U.S. 227, 240-41 (1937).

This Court later gave direct support to the argument that the issue of validity is not moot for public policy reasons in *Lear v. Adkins*, 395 U.S. 653 (1969). In determining that a licensee was not estopped from attacking the validity of a patent, this Court stated:

> "It is as important to the public that competition should not be repressed by a worthless patent, as that the patentee of a really valuable invention should be protected in his monopoly" *Id.* at 668-64. (*citing Pope Manufacturing Co. v. Gormully*, 144 U.S. 224, 234 (1892)).

This Court in *Lear* also found that licensees were not required to continue to pay fees accruing during the time they are challenging the patent validity in the Courts. This Court held that to enforce such a contractual provision "would undermine the strong Federal policy favoring the free and full use of ideas in the public domain". *Id.* at 674.

While the *Lear* decision did not directly decide the issue at hand, i.e. whether failing to rule on validity while vacating a judgment of validity as moot is error, it sets forth the clear policy in patent law that, whenever an invalid patent can be eradicated, the court should take every possible action to do so.

Thus, as a matter of public policy, a validity issue should never be declared moot regardless of validity of the patent, due to the strong policy favoring the elimination of invalid patents and the full use of ideas in public domain, particularly where the issue of validity is raised by way of a declaratory judgment claim.

In *Blonder-Tongue Lab., Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) this Court again recognized the public nature of patents in determining that a

patentee is estopped from asserting the validity of a patent if the patent has been declared invalid in a previous suit. This Court, *citing Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*, 394 U.S. 806, 816 (1945), stated:

> "a patent by its very nature is affected with a public interest. [It] is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent therefore give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within the legitimate scope." *Id.* at 343.

It is clear that this Court has recognized the public interest, in not only rewarding inventors with the incentive to develop new ideas, but it should also protect the public and Durand-Wayland who has spent large sums of money to ferret out the wrong doings of Pennwalt, by determining that the patent-in-suit is invalid and by awarding attorney's fees to Durand-Wayland. It is clear that an invalid patent which exists as valid has far reaching economic consequences and for this reason alone, the Court should encourage the eradication of this invalid patent.

It is thus clear that the validity of a patent is never a moot issue. A court should, as a matter of course, be required to examine the validity of a patent to promote the policy favoring free and full use of ideas in the public domain.

Judge Frank summarized the failure to decide the validity of a patent as follows:

> "[If] we must here choose between deciding that a patent is not valid or not infringed . . . our choice should be the former . . . among abuses is the persistence of "spurious" patents. To shift the metaphor, they are vicious zombis. Their attacks on the public interest bring the patent system into disrepute." *Aero Spark Plug Co. v. B & G Corp.*, 130 F.2d 240, 299 (2nd Cir. 1942).

The more recent case of *Hieger v. Ford Motor Co.*, 516 F.2d 1324 (6th Cir. 1975) stated the issue as follows:

> It is now well recognized that an invalid patent is a blight on the important public interest in permitting full and free competition in the use of ideas in the public domain *Lear v. Adkins*, 395 U.S. 653 (1969), and should be expunged whenever the issue can be reached.

Thus for public policy reasons, this Court is respectfully requested to vacate the decision by the U.S. Court of Appeals for the Federal Circuit that the issue of validity is moot and remand the case to review the issue of validity.

II.

THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT ERRED AS A MATTER OF LAW IN VACATING THE ISSUE OF PATENT VALIDITY AS MOOT AND DEPRIVED DURAND-WAYLAND OF THE OPPORTUNITY TO RECOVER ATTORNEY'S FEES UNDER 35 U.S.C. § 285.

It is submitted by the Cross-Petitioner, Durand-Wayland, that not only does the decision of the U.S. Court of Appeals for the Federal Circuit violate public policy in vacating the issue of validity in this case as moot, but that

decision is also error as a matter of law. Supreme Court precedence supports a requirement that the issue of validity should always be decided and the Court is respectfully requested to so hold in this case. Furthermore, Durand-Wayland asserts that the district court erred as a matter of law in failing to determine that the patent-in-suit is invalid due to an "on sale" bar. It was also error to fail to examine the inequitable conduct of the predecessors of Petitioner and its attorneys in dealing with the Patent and Trademark Office by failing to disclose that the invention was "on sale" more than one year prior to the filing of the patent application and by failure to disclose known prior art. Both the "on sale" bar and inequitable conduct in the Patent and Trademark Office give rise to the award of attorney's fees under 35 U.S.C. § 285. By failing to review these issues in the Cross-Appeal, the Federal Circuit has deprived Durand-Wayland of its opportunity to obtain attorney's fees. This Court is respectfully requested to remand this case to the Federal Circuit to examine the issue of validity and review the district court's decision on the awarding of attorney's fees in light of those findings.

A. The Issue Of Validity Should Have Been Decided Instead Of Vacated As Moot As A Matter Of Law.

The Patent Act gives a patent issued by the U.S. Patent and Trademark Office a presumption of validity. That presumption, however, is not a conclusive one. A defendant accused of infringement has at least two possible defenses to the alleged infringement; non-infringement and invalidity of the patent-in-suit. 35 U.S.C. § 282. Prevailing on either the defense of non-infringement or validity of the patent will relieve the alleged infringer of liability. However, two questions arise in asserting both defenses in a patent case. The initial question is which

issue should be decided first? The second is once either validity or infringement is decided, whether the remaining issue should be decided? Since these questions have generated a long history of case law, the discussion will be limited to the facts in the case at hand. It is clear at least at the district court level, that once a decision of infringement is reached, the better practice is to inquire fully into the validity of the patent. *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). In the present case, the district court reached the issue of validity but misapplied the law. Once a determination of non-infringement has been reached, Durand-Wayland asserts the issue of validity should be affirmatively decided by the court of appeals as well. Otherwise, the appellee's Cross-Appeal is never heard at all.

The first Supreme Court case to review the issue of whether of validity should be addressed when there is a finding of non-infringement was *Electrical Fittings Corporation v. Thomas & Betts Co.*, 307 U.S. 241 (1939). The district court in that case entered a decree adjudging Claim 1 of the patent valid, but not infringed. The plaintiff did not appeal the judgment of non-infringement. The defendant, however, appealed to the Circuit Court of Appeals from so much of the decree as adjudicated Claim 1 valid. The appeal was dismissed on the ground that the suit had been terminated in the defendant's favor and the finding of validity would not bind the defendant in subsequent suits on the issue of validity.

This Court reversed, holding that an appeal should be entered in order to direct reformation of the decree to eliminate the finding as to validity, stating:

> "A party may not appeal from a judgment or decree in his favor for the purpose of obtaining a review of findings he deems erroneous which are not necessary

> to support the decree. But here the decree itself purports to adjudge the validity of Claim 1 and though the adjudication was immaterial to the disposition of the cause, it stands as an adjudication of one of the issues litigated. We think the petitioners were entitled to have this portion of the decree eliminated and that the Circuit Court of Appeals had jurisdiction . . . to entertain the appeal not for the purpose of passing on the merits but to direct reformation of the decree." *Id.* at 242.

Thus, in *Electrical Fittings* the Court determined that the issue of validity could be reversed on appeal and that the defendant had the right to a review of a ruling on validity even though no infringement was found.

Altvater v. Freeman, 319 U.S. 359 (1943) is a case on slightly different facts from the case at hand, but specifically holds that it is *error* for the Circuit Court of Appeals to treat as moot, a counterclaim of invalidity raised by a defendant.

In *Altvater*, the plaintiff sought specific performance on a patent license contract. The defendant filed a counterclaim for a declaratory judgment that the patent was invalid. The district court held that the defendant was not infringing the patent-in-suit, had not breached the license in issue and further held that the patent was invalid. The plaintiff's suit was dismissed, but the trial court granted a declaratory judgment of invalidity on the counterclaim. On a petition for rehearing, the Circuit Court of Appeals affirmed the decision on non-infringement and ruled that when the district court found no contract or license and no infringement, the other issues (namely the validity issue) were rendered moot because there was no longer a justiciable controversy between the parties.

This Court, however, reversed the court of appeal's action and directed it to consider the merits of a judgment of invalidity. This Court found that the Circuit Court of Appeals, in declaring the validity issue moot, had misinterpreted the decree in *Electric Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939). The decision in *Electrical Fittings* was explained as follows:

> That case was tried only on a bill and answer. The District Court adjudged a claim of a patent valid although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. [*citing Cover v. Schwartz*, 133 F.2d 54, (2nd Cir. 1942).] [B]ut the situation in the present case is quite different. We have here not only a bill and answer but a counterclaim. Though the decision of noninfringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity. *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173, 63 S.Ct. 172 is authority for the proposition that the issue of validity may be raised by a counterclaim in an infringement suit. The requirements of case or controversy are of course no less strict under the Declaratory Judgment Act . . . than in case of other suits . . . But we are of the view that the issues raised by the present counterclaim were justiciable and that the controversies between the parties did not come to an end . . . on the dismissal of the bill for noninfringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit. *Id.* at 363.

Thus, it is clear under *Altvater* that it is error for a Circuit Court of Appeals to have declared the issue of validity moot, if the dispute goes beyond the claims of the patent that are allegedly infringed and the accused devices in the suit. Here, a finding of inequitable conduct before the Patent and Trademark Office would render all claims invalid. *J. P. Stevens & Co., Inc. v. Lex Tex, Ltd.*, 747 F.2d 1553 (Fed. Cir. 1984). In *Altvater* it was found that the dispute went beyond the single claims being litigated where there were many claims to the patent and the petitioners were selling additional articles claimed to fall under the patents for which they were paying royalties.

The *Altvater* decision, a 1943 decision, however, must be read in conjunction with the more recent policy decisions set forth by the Supreme Court in *Lear v. Adkins*, 395 U.S. 653 (1969) and *Blonder-Tongue Lab., Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971).

Even if Durand-Wayland did not assert the issue of validity beyond the litigated claims, when *Altvater* is examined in light of the clear public policy set forth in *Lear* and *Blonder-Tongue*, that invalid patents should be eradicated, the clear result is that the issue of patent validity is never moot when raised as a defense to infringement as permitted by 35 U.S.C. § 282, particularly by declaratory judgment counter claim.

The policy that this Court should adopt is that anyone who infringes a patent or is accused of infringing a patent should be entitled to obtain a declaration as to its validity even though he is under no contractual obligation to pay money. While this is statutorily supported by 35 U.S.C. § 282, Justice Frankfurter also suggested this in his

dissent in the *Altvater, supra*, decision. Justice Frankfurter states:

> "The existence of an invalid patent may substantially impair the economic position of those who market articles which infringe a patent." *Id.* 319 U.S. at 371.

B. Failure To Decide The Issue Of Validity Unjustly Deprived Durand-Wayland Of An Award Of Attorney's Fees.

The Court of Appeals for the Federal Circuit ignored the cross-appeal by Durand-Wayland that the district court erred in its refusal to award the prevailing party attorney's fees under 35 U.S.C. § 285. Generally, an award of a attorney's fees to the prevailing party in an exceptional patent case is within the discretion of the trial court and an appellate court will not counter that discretion unless there has been an abuse of discretion or there has been an erroneous conception of the law. *See Maurice A. Garbell, Inc. v. Boeing Co.*, 546 F.2d 297 (9th Cir. 1976).

In this case, the district court erred in applying the law to Durand-Wayland's counterclaim that the invention was "on sale" greater than one year before the patent application was filed. A finding that the invention was "on sale" one year prior to the patent application would preclude a valid patent from issuing under 35 U.S.C. § 102. The district court applied an "on hand" test to determine whether the invention was "on sale" stating that "there was no sorter in existence at that time". However, application of the "on hand test" has been rejected. *See Barmag Barmer Maschinenfabrik AG v. Murata Machinery, Ltd.*, 731 F.2d 831 (Fed. Cir. 1984). The determination of

whether an invention is "on sale" includes consideration of the following:

1. Whether an embodiment that contains all the elements is in existence prior to the critical date.

2. The invention offered for sale has been reduced to practice at the time of the offer for sale.

3. That the offer for sale was for commercial exploitation of the invention rather than for experimental purposes. *See* 731 F.2d at 838.

The statutory "on sale" bar applies when the invention which is the subject matter of a patent application is merely *offered* for sale; there is no requirement that a sale be consummated before the statutory bar attaches. *D.C. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144, 1150 (Fed. Cir. 1983). The fact that the order was not shipped until after the critical date does not avoid the "on sale" bar. *In re Thesis*, 610, F.2d 786, 791 (C.C.P.A. 1979).

It is clear that where "on sale" activities would have undoubtedly barred the issuance of a patent under 35 U.S.C. § 102 (b) those sales activities can alone be an adequate justification for the awarding of attorney's fees under 35 U.S.C. § 285. *See American Can Co. v. Crown Cork & Seal Co., Inc.*, 693 F.2d 653. The memorandum from Mr. Williamson (A-198) clearly evidences an "on sale" date of February 19, 1975 and the filing date of the patent application is February 20, 1976. (A-183). Had the district court correctly applied the law in determining whether there was an "on sale" bar would have affected the lower Court's determination in awarding attorney's fees. Thus, the Appellate Court's determination that the issue of validity is moot is clearly erroneous since it directly affects the award of attorney fees under 35 U.S.C. § 285.

Finally, the district court's opinion fails to address the issue of whether there was inequitable conduct before the Patent and Trademark Office during the prosecution of the patent application. It was shown at trial that Pennwalt committed inequitable conduct before the Patent and Trademark Office by not disclosing material prior art. The inventors for the patent-in-suit owed an "uncompromising duty of candor" to the Patent and Trademark Office to reveal everything which might have any bearing on the granting of any claim in the patent. *Argus Chemical Corp. v. Fiber Glass-Evercoat Co.*, 759 F.2d 10 (Fed. Cir. 1985). The rule enforcing the duty of candor was in force at the time of the finding of the application of the patent-in-suit.

The applicants failed to reveal information known to them prior to the issuance of the '628 patent. The "on sale" activity more than one year prior to the filing of the patent application was not disclosed to the Patent and Trademark Office. Prior art known to the inventor, namely the Sunkist EMG Machine, (A-181, 182) which was partially developed by one of the co-inventors to the patent-in-suit, and Sunkist's work resulting in its Conway patent (A-179) were also not disclosed when filing the patent application. The failure to disclose material "on sale" information constitutes inequitable conduct. *Argus Chemical Corp.*, 759 F.2d at 15. Inequitable conduct is also found for failure to disclose known prior material during the prosecution of a patent application. *See Beckman Instruments, Inc. v. Chemtronics, Inc.*, 428 F.2d 555, 565-66 (5th Cir. 1970). Such conduct justifies an award of attorney's fees under 35 U.S.C. § 285. *Kimberly Clark Corp. v. Johnson & Johnson*, 575 F.Supp 1179 (ND Ill. 1983).

CONCLUSION

In summary, the United States Court of Appeals for the Federal Circuit violated strong public policy favoring the eradication of invalid patents. The Court of Appeals also erred as a matter of law in holding the issue of validity as moot because:

(1) public policy supports adjudication as to validity.

(2) a holding of "on sale" or inequitable conducts affects all of the claims of the patent.

(3) inequitable conduct supports an award of attorney's fees to Cross-Petitioners.

Thus, Cross-Petitioner/Respondent, Durand-Wayland, respectfully requests that the case be remanded to the Court of Appeals for the Federal Circuit for reconsideration of these issues.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, George M. Hopkins, a member of the Bar of the Supreme Court of the United States and counsel of record for Durand-Wayland, Inc., respondent herein, hereby certify that on _____, 1988, pursuant to Rule 28, Rules of the Supreme Court, I have served three (3) copies of the attached Cross-Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit to the United States Court of Appeals for the Federal Court on Pennwalt Corporation, Petitioner herein, by depositing such copies of the United States Post Office, Atlanta, Georgia, with first class postage prepaid, properly addressed to the post office address of Joel S. Goldhammer, Esquire, the above- named petitioner's counsel, at Siedel, Gonda, Goldhammer & Abbott, P.C., 1800 Two Penn Center Plaza, Philadelphia, Pennsylvania, 19102.

All parties required to be served have been served.

Dated: _____

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